

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 ISO-00 CAB-02 CIAE-00 COME-00  
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 L-03  
SS-15 NSC-05 H-01 TRSE-00 /050 W  
-----280551Z 106871 /12

P 280505Z MAY 77

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 3724

C O N F I D E N T I A L SECTION 1 OF 2 TAIPEI 3132

E.O. 11652: GDS

TAGS: EAIR, TW

SUBJECT: AIR CARGO SPECIAL CONTAINER RATE DISPUTE

REF: (A) STATE 122299, (B) TAIPEI 2860, (C) TAIPEI 2633, (D) STATE  
96007

1. EMBASSY HAS REPEATED POSITION OF U.S. GOVERNMENT ON  
UNILATERAL ABROGATION OF AIR CARGO TARIFFS TO ADMIRAL  
C.L. HSU, DIRECTOR, DEPARTMENT OF NAVIGATION AND AVIATION,  
MINISTRY OF COMMUNICATIONS (MOC). HSU, IN RESPONSE, HAS  
INFORMED EMBOFF THAT FIVE CARRIER ON MAY 19TH FILED PETITION  
WITH U.S. CIVIL AERONAUTICS BOARD TO ABOLISH SPECIAL AIR  
CARGO CONTAINER RATES 9902, 9903, AND 9904. THESE FIVE  
CARRIERS, ACCORDING TO HSU, WERE CHINA AIR LINES, KOREAN  
AIRLINES, JAPAN AIRLINES (IN TAIWAN, JAPAN OVERSEAS AIRWAYS),  
FLYING TIGER, AND PANAM. HSU STATED THAT CHINESE CIVIL  
AVIATION ADMINISTRATION DIRECTOR GENERAL Y.T. MAO AND THE MOC  
INTENDED TO EXTEND IMPLEMENTATION OF DATE OF MAO'S ORIGINAL ORDER  
UNTIL THIRTY DAYS HAD ELAPSED AFTER SUBMISSION OF FIVE-  
CARRIER PETITION TO CAB. THEIR HOPE WAS THAT CAB EITHER WOULD  
ACT FAVORABLY ON THE PETITION OR WOULD NOT ACT AT ALL, WHICH  
WOULD HAVE THE SAME EFFECT. ACCORDING TO SAME SOURCE, MOC AND  
MINISTRY OF ECONOMIC AFFAIRS (MOEA) HAD INFORMALLY AGREED THAT  
GROC POSITION SHOULD BE TO FAVOR AND WORK FOR ABOLITION OF 9902,  
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9903, AND 9904 BUT RETENTION OF 24 PLUS PERCENT HIGHER 4416  
TARIFF WITH NO FURTHER INCREASE IN LATTER FOR TIME BEING. HSU  
CITED AS JUSTIFICATION A PURPORTED MEETING WITH ELECTRONICS  
MANUFACTURERS HERE A YEAR AGO AT WHICH TIME THE LATTER SUPPOSEDLY  
AGREED THEY COULD LIVE WITH A 10 PERCENT INCREASE ABOVE EVEN  
THE 4416 RATE. HIS INFORMATION CONCERNING THE MEETING, HE  
INDICATED, WAS SECOND-HAND, FROM GENERAL MAO. HSU FURTHER

NOTED THAT 9902 SERIES RATES WERE A SPECIAL VIETNAM WAR-RELATED FAVOR GRANTED TO NORTHWEST AT NORTHWEST'S REQUEST, AND THAT EVEN THE HIGHER 4416 TARIFF WAS SET THREE YEARS AGO, BEFORE THE BIG OPEC OIL PRICE RISE. CONSEQUENTLY, HE EMPHASIZED, AN INCREASE OF SOME KIND WAS LONG OVERDUE.

2. TAIWAN REPRESENTATIVES OF GENERAL INSTRUMENTS AND RCA ARE UP IN ARMS OVER CCAA ACTION AND MAY 19 PETITION. GENERAL INSTRUMENTS TAIWAN PRESIDENT ESTIMATES SPECIAL RATE ABOLITION WOULD COST HIS FIRM FROM US\$400,000 TO US\$500,000 A YEAR. RCA REPRESENTATIVE CLAIMS HIS ADDITIONAL COST WOULD RUN ABOUT \$250,000 ANNUALLY FOR THE IMMEDIATE FUTURE, BUT COULD TAKE QUANTUM LEAP UPWARD IF PROSPECTS FOR GREATLY-INCREASED SHIPMENTS OF RCA COLOR TV ASSEMBLIES, COMPONENTS TO U.S. MATERIALIZE IN RESPONSE TO LIMITATIONS ON JAPANESE IMPORTS, AND IF RCA FULFILLMENT OF U.S. DOMESTIC DEMAND REQUIRES RAPID SHIPMENT. RCA REPRESENTATIVE ALSO HAS STATED THAT HE INTENDS TO APPEAL TO PREMIER'S OFFICE TO GET AN INDEFINITE DELAY OF EXECUTION OF GENERAL MAO'S ORDER, AS HE DID ONCE BEFORE. HE CLAIMED TO HAVE ALREADY BEEN INSTRUMENTAL IN GETTING MOEA VICE MINISTER K.S. CHANG TO DRAFT AN AFTER-HOURS APPEAL, BACKED BY INDUSTRIAL DEVELOPMENT BUREAU DIRECTOR WILLIAM WEI, TO MOC REQUESTING THAT MAO'S ORDER NOT BE IMPLEMENTED. HIS MAIN HOPE, HE REITERATED, WAS INTERVENTION BY THE PREMIER'S OFFICE. HE ASSERTED THAT MOC HAD IGNORED CALLS OF GENERAL INSTRUMENTS TAIWAN PRESIDENT, AND CLAIMED THAT GENERAL MAO HAD TWICE BEFORE IGNORED ORDERS OF EVEN HIS OWN MINISTRY OF COMMUNICATIONS ON THIS SUBJECT AND GOTTEN AWAY WITH IT TEMPORARILY UNTIL ORDERS FROM HIGHER AUTHORITY IN RESPONSE TO RCA LOBBYING HAD FORCED  
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HIM TO BACK DOWN. CONSEQUENTLY, HE BELIEVED THE MOC WAS HELPLESS, UNABLE TO CONTROL MAO EVEN IF IT TRIED. HE WAS DUBIOUS THAT MOEA WOULD BE OF MUCH HELP, EITHER, AS IT PREVIOUSLY HAD BEEN UNABLE OR UNWILLING TO ACT EFFECTILY ON BEHALF OF ITS CLIENTEL OR EVEN ITSELF, THOUGH INFORMED IT WAS BEING HOODWINKED BY MAO. RCA REPRESENTATIVE ALSO SAID THAT IF SPECIAL RATES WERE ABOLISHED FOR TAIWAN-U.S. ROUTE, RCA WOULD SHIP VIA AIR TO HONG KONG, CONSOLIDATE, AND THEN AIRFREIGHT TO U.S. USING NON-U.S.-FLAG CARRIERS TO EXTENT NORTHWEST WAS UNABLE TO HANDLE RCA'S BUSINESS. HE CLAIMED THAT EVEN IF MAO WAS SUCCESSFUL IN HIS ENDEAVOR TO HAVE SPECIAL TAIWAN-U.S. RATE ABOLISHED, HIS ACTION WOULD NOT AFFECT HONG KONG-U.S. TARIFF.

3. PAN AMERICAN REPRESENTATIVE TOLD EMBOFF THAT INITIATIVE FOR FILING OF PETITION, TO THE BEST OF HIS KNOWLEDGE, HAD COME FROM CARRIERS' HEADQUARTERS, NOT FROM TAIPEI BRANCH OFFICES OF CCA. GENERAL MAO WAS, OF COURSE, QUITE HAPPY AT TURN OF

EVENTS, BUT CCAA WAS ESSENTIALLY COATTAIL RIDER. PANAM REPRESENTATIVE ALSO NOTED THAT OUR INFORMING HIM OF MAY 19TH PETITION WAS FIRST TIME HE HAD HEARD OF IT. HE SAID THAT HE, PERSONALLY, WAS NEUTRAL ON THE ISSUE. FLYING TIGER REPRESENTATIVE STATED THAT HE WAS AWARE OF PETITION AND IN FAVOR OF IT, BUT REITERATED CLAIM OF PANAM REPRESENTATIVE THAT INITIATIVE HAD COME FROM AIRLINES' HEAD OFFICES.

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DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00 L-03  
H-01 SS-15 NSC-05 TRSE-00 /050 W  
-----280551Z 107106 /14

P 280505Z MAY 77  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC PRIORITY 3725

C O N F I D E N T I A L SECTION 2 OF 2 TAIPEI 3132

4. EMBASSY COMMENTS:

(A) IT IS APPARENT THAT THE POSITION OF THE MINISTRY OF COMMUNICATIONS HAS SHIFTED FROM THAT EXPRESSED AS RECENTLY AS MID-MAY, WHEN IT WAS ASSERTED BY ADMIRAL HSU THAT THE INTERESTS OF ELECTRONICS MANUFACTURERS WOULD BE PARAMOUNT IN GROC FINAL DECISION AND THAT SPECIAL CONTAINER RATES PROBABLY WOULD BE MAINTAINED UNLESS AIRLINES WERE PROVEN FINANCIALLY UNABLE TO CONTINUE TO MOVE REQUIRED VOLUME OF GOODS AT SUCH RATES. IN MAY 27 MEETING WITH EMBOFF, HSU MADE NO FURTHER MENTION OF PREVIOUSLY-FEATURED FORTHCOMING FORMAL STUDY OF SUCH FACTORS, OTHER THAN TO MENTION PROBLEM THAT SPECIAL CONTAINER RATE COST SOME AIRLINES AN ADDITIONAL 15 PERCENT PENALTY, SINCE SHIPPERS WERE SUPPOSED TO DO THEIR OWN PACKING, BUT IN FKT MANY DID NOT, AND CONSEQUENTLY THOSE AIRLINES LACKING EFFICIENT CONTAINER CAPABILITIES HAD TO ABSORB THIS EXTRA COST TO COMPETE. HSU, HOWEVER, WAS CONSISTENT WITH HIS PAST POSITION ON ONE POINT- THE ASSERTION THAT INTERESTS OF CHINA AIR LINES WERE NOT A DETERMINING FACTOR IN THE MOC'S DECISION-MAKING.

(B) EMBASSY IS NOT ABLE AT THIS TIME TO DETERMINE SOURCE OF INITIATIVE FOR CARRIERS' PETITION TO CAB. IT MAY HAVE COME, AS CLAIMED BY PANAM AND FLYING TIGER REPRESENTATIVES, STRICTLY

FROM CARRIERS' HOME OFFICES, WITH NO MORE INPUT FROM TAIPEI  
BRANCHES THAN HAD LONG SINCE BEEN SENT. IT MIGHT ALSO BE THAT  
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GENERAL MAO HAS PLAQLD A MIRROR GAME, USING CHINA AIR LINES  
REPRESENTATIVE IN WASHINGTON AS ORGANIZER. PERHAPS DEPARTMENT  
CAN ADVISE. ELECTRONICS MANUFACTURERS' REPRESENTATIVES CLAIM  
PETITION TO CAB CONTAINED NOTHIN MORE SUBSTANTIVE AS  
JUSTIFICATION THAN GENERAL MAO'S ORDER EXTENDING DATE OF  
IMPLEMENTATION TO JUNE 1.

(C) EMBASSY HAS CONTACTED MOEA AND LEARNED THAT DESPITE  
STATEMENT OF ADMIRAL HSU TO THE CONTRARY, MOEA IS STILL STRONGLY  
OPPOSED TO MOC POSITION AND WISHES TO SEE SPECIAL RATES RETAINED.

(D) STRATEGY OF CARRIERS' PETITION, WHATEVER ITS SOURCE,  
APPEARS TO BE HOPE AND BELIEF THAT CAB CANNOT ACT AND HENCE  
WHAT IS SOUGHT, ABOLITION OF THE SPECIAL RATE, WILL BE GRANTED  
BY DEFAULT. UNDERLYING THEORY, WE WOULD GUESS, IS THAT SECTION  
OF IATA PACKAGE PROPOSING ABOLITION OF ALL SPECIAL RATES WILL  
BE INTERPRETED BY CAB AS AUTOMATICALLY COVERING 9902 SERIES  
REGARDLESS OF WHETHER OR NOT THEY ARE SPECIFICALLY MENTIONED,  
AND CONSEQUENTLY WITH COURT HAVING REPORTEDLY DECLARED IATA  
QUESTION MOOT, CAB WOULD NOT DARE ACT.

(3) EMBASSY IS UNABLE TO DETERMINE WHETHER ECONOMIC INTERESTS  
OF CARRIERS OR DESIRE TO BE RID OF HEADACHES RESULTING FROM  
ABUSES OF CONTAINER RATE CATEGORIES ARE PARAMOUNT IN GENERAL  
MAO'S THINKING. IN ANY CASE, HE UNQUESTIONABLY VIEWS THE  
MAY 19 PETITION AS A WAY OF SIDESTEPPING THE ISSUE OF UNILATERAL  
ABROGATION, SINCE THE RATE CANCELLATION IS NOW LIKELY TO COME  
AS A RESULT OF THE ACTION (OR INACTION) OF ONE OF OUR OWN  
AGENCIES.

(F) EMBASSY AND PANAM ARE UNDER IMPRESSION THAT CAB HAS 45 DAYS  
IN WHICH TO ACT, RATHER THAN 30. PLEASE ADVISE SO THAT WE  
MAY INFORM GROC AND AVOID ANY PREMATURE ACTION ON THE PART  
OF MOC.

(G) WILL REPORT ADDITIONAL DEVELOPMENTS SOONEST.  
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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009